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REPORT OF THE BOARD OF AUDITORS TO THE GENERAL ASSEMBLY ON THE ACCOUNTS OF THE VOLUNTARY FUNDS ADMINISTERED BY THE UNITED NATIONS HIGH COMMISSIONER FOR REFUGEES FOR THE YEAR ENDED 31 DECEMBER 1993 (*)

* An annex contains follow-up actions to implement the Board's recommendations for 1992 as well as the comments of the Board thereon.

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Annex: Follow-up on actions taken on previous recommendations

Introduction

1. The Board of Auditors has audited the financial statements of the voluntary funds administered by the United Nations High Commissioner for Refugees (UNHCR) for the period 1 January 1993 to 31 December 1993 in accordance with paragraph 22 of the statute of UNHCR. The audit was conducted in accordance with article XII of the Financial Regulations of the United Nations and the annex thereto and the common auditing standards adopted by the panel of External Auditors of the United Nations, the specialized agencies and the International Atomic Energy Agency. These auditing standards require that the Board plans and performs the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement.

2. The audit included a general review of financial systems and internal controls, and a test examination of the accounting records and other supporting evidence to the extent the Board considered necessary to form an opinion on the financial statements. It did not involve a detailed review of all aspects of budgetary and financial systems and the results cannot be regarded as a comprehensive statement on them.

3. The audit was carried out in the headquarters of the UNHCR at Geneva and in its regional offices at Addis Ababa and Buenos Aires, Branch Office at Nairobi and Office of the Charge de Mission in Hong Kong.

4. In addition to the audit of the accounts and financial transactions, the Board carried out reviews under Article 12.5 of the UN Financial Regulations. The reviews concerned the efficiency of financial procedures, the internal financial controls and, in general, the administration and management of the UNHCR.

5. The Board continued its practice of reporting the results of specific audits through management letters containing detailed observations and recommendations to the Administration. This practice helped in maintaining an ongoing dialogue with the Administration on audit issues.

6. A summary of main findings and recommendations is reported in paragraphs 9 to 29. The detailed findings of the audit are reported in paragraphs 30 to 111.

7. The present Report covers matters which, in the opinion of the Board, should be brought to the attention of the General Assembly. The Board's observations on all matters contained in this report were communicated to the UNHCR. The UNHCR has confirmed the facts on which the Board's observations and conclusions are based and provided explanations and answers to the Board's queries. The Report is divided in two parts covering the audit of financial statements and management issues, respectively.

Follow-up on actions taken on previous audit recommendations

8. The Board has reviewed the measures taken to implement the previous audit recommendations made in its report for the year 1992 1/. The administration has implemented or initiated action to implement the recommendations. Detailed actions taken and the comments of the Board are outlined in the annex to this report.

Summary of recommendations

9. The Board recommends that the following actions, presented in order of priority, should be taken:

Programme management

(a) In addition to providing guidelines and better tools for registration of refugees, conditions conducive to organizing the registration should be created in concert with the host governments and main implementing partners in order to ensure the delivery of benefits to genuine refugees, thereby avoiding wastage and leakage of resources (see paras. 50 and 51);

(b) Steps should be taken to contain within a reasonable limit both the direct and indirect staff costs and the administrative expenditures relating to UNHCR programmes. In particular, norms should be established to regulate the overhead costs of implementing partners (see paras. 58-60);

(c) Greater emphasis should be laid on imparting necessary training to the implementing agencies and on undertaking effective physical and financial monitoring visits to and evaluation of projects by UNHCR field offices, to overcome the deficiencies in project implementation (see paras. 67 and 68);

(d) In order to ensure prompt signing of project agreements and smooth implementation of projects, there should be greater involvement of implementing partners in project formulation. (see paras. 54 and 55);

(e) The propriety of the peculiar arrangement with an implementing partner for staff and equipment support for the field office in Hong Kong, should be examined in the context of the need for control over staffing and acquisition of non-expendable items, and a more effective and transparent alternative adopted. This examination should also cover such arrangements elsewhere (see paras. 74 and 75).

1/ Official Records of the General Assembly, Forty-eighth Session Supplement No. 5E (A/48/5 Add 5.) Sect. I.

(f) Appropriate language versions of important manuals and guides should be available in the various regions where UNHCR operates (see para. 68).

Personnel management

(g) In future, engagement of personnel for regular work of UNHCR should be limited to the authorized level of posts and effective staffing control should be exercised. The proposed comprehensive recruitment plan should be established without further delay (see paras. 101 and 102);

(h) The Training Section of the UNHCR headquarters should be qualitatively strengthened to effectively plan, implement and evaluate the training programme consistent with the changing needs, and adequate resources should be made available for the programme (see para. 106);

Procurement

(i) Measures should be taken early to enable timely and cost-effective procurement of goods and services, including preparation of annual purchasing plans, decentralization of procurement as far as possible, standardization of prices at least in the short-run, greater use of late delivery penalty provision in purchase orders and effective monitoring of procurement made by implementing partners (see paras. 76-88);

Insurance

(j) The proposed review of insurance arrangements should cover, inter alia, the condition governing the profit sharing commission, the system of filing declarations of goods in transit for insurance and the possibility of further reduction in the premiums paid (see paras. 91, 93, 96 and 97);

Cash Management

(k) Measures to ensure the best return on investments and cash resources, including qualitatively strengthening the Treasury Section, should be expeditiously taken (see para. 45);

Budgetary control

(l) Apart from reviewing the procedures on obligation of funds and the project spending process, the project budgeting techniques and procedures should be refined so that the budget could become a more effective tool for expenditure control (see para. 37);

Summary of main findings

Budgetary control

10. The past trend in cancellation of unliquidated obligations and the extraordinary increase in the unobligated balance as at the end of 31 December 1993 clearly indicated that there was considerable over-budgeting (see paras. 36 and 37).

Write-off of losses

11. During the year 1993, losses of non-expendable property items valued at $3,316,630 were established for write-off action (see paras. 40 and 41).

Cash management

12. There is scope for increase in investment of cash balances and in earnings from investments (see paras. 43-45).

Programme management

13. In various refugee camps, the population of refugees was not correctly assessed owing to a variety of reasons, including law and order problems. As a result, UNHCR was spending more than was needed (see paras. 46-51).

14. The delay in signing project agreements with implementing partners persist. In one country, the delay was on account of the differences between UNHCR and the main implementing partner, in regard to project formulation. In another country as there was no clear understanding of the UNHCR's commitment to meet the costs of the project, no agreement has been signed since 1988 (see paras. 52-55).

15. In the absence of any norms to regulate the project overheads of implementing partners, unjustified variations in the overheads persist. The programme support and administrative costs of some of the UNHCR field offices are also high (see paras. 56-59).

16. The deficiencies in the financial control of projects implemented through various agencies, persist. There was also shortfall in achievement of planned levels of assistance. The financial and physical monitoring, and evaluation are not effective enough (see paras. 61-68).

17. The social workers engaged on UNHCR Projects in the South Latin American region are unable to use the relevant handbook in the absence of its Spanish version (see para. 69).

18. In Hong Kong, there is an unusual arrangement of obtaining staff and equipment support for the UNHCR field office under a project agreement,

thereby vitiating staffing and budgetary control and violating the normal regulations and procedures (see paras. 70-74).

Procurement

19. The Organization and most of its field offices do not have an annual purchase plan to regulate the procurement function in a cost-effective and timely manner (see paras. 76-78).

20. A sample check revealed widespread delays in vendor deliveries and there was no effective deterrent against delayed deliveries (see paras. 79-81).

21. When there was standardization of suppliers and equipment which was available from more than one source, there was no agreement on price, thereby incurring the risk of the purchases not being cost-effective (see paras. 82 and 83).

22. There was no system of ensuring that the implementing partners complied with the UNHCR procurement procedures, including competitive bidding (see para. 84).

23. There was no evidence of any detailed assessment of the relative advantages of local and international procurement. The regional procurement arrangement in Nairobi was not effective (see paras. 85-88).

Insurance

24. There was apprehension that the limited coverage of insurance of goods in transit might not justify the cost. The correctness of the profit-sharing commission received by UNHCR was not susceptible to verification and the condition governing the commission was such that it tended to perpetuate the present insurance arrangement. There was the possibility that the goods were over-insured (see paras. 89-98).

Personnel management

25. Fourteen staff members recruited for a project were working in a field-office, thereby vitiating staffing control (see. paras 99-101).

26. The Organization does not have as yet a comprehensive recruitment plan (see para. 102).

27. Not all field offices have a training plan. The resources for training are inadequate considering the need. The monitoring of the training programme by UNHCR Headquarters is not effective (see paras. 103-106).

28. There was unusual delay in a refund of money by a staff member until the Board pointed out the amounts outstanding and still recovery is not complete (see para. 107).

EDP Systems

29. The software being used as the Financial Management Information System is deficient to the extent that it does not help to record the obligations incurred. Also, due to the absence of a LAN version, a large number of stand-alone computers had to be purchased at extra cost (see paras. 108-110).

Part I: Financial statements

United Nations system accounting standards

30. In paragraph 2 of resolution 48/216C of 23 December 1993, the General Assembly took note of the United Nations system accounting standards contained in the annex to the report of the Secretary-General 2/ and requested the Secretary-General and the executive heads of the United Nations organizations to take those standards into account in the preparations of their financial statements for the period ending 31 December 1993. The organization has stated that the financial statements and schedules conform with the accounting standards.

31. In accordance with the accounting standards, separate disclosure should be made of any cash, including cash in hand, current and call accounts and term deposits with banks held in non-convertible currencies. This requirement has been overlooked. The Administration promised to make the necessary changes in the computer system in order to be in a position to retrieve this information and report it at the end of the year, in future.

32. The Administration informed the Board that there were no prior period items having a material effect on the financial statements, nor were there any important contingent gains or losses, or events occurring after the end of the financial period, to be disclosed in conformity with the accounting standards. However, according to a foot note given in schedule 3, there is a claim for the cumulative expenditure of $111.46 million (net of reimbursement by UNHCR) incurred by the Government of Hong Kong as at 31 December 1993, to meet the costs of care, maintenance and social services required by asylum seekers. This is in pursuance of a statement of understanding reached in 1988 between UNHCR and the Hong Kong Government under which UNHCR indicated its commitment to meet the costs as provided in project agreements and subject to availability of funds. In reply to an observation of the Board, the Administration asserted that there was no legal liability on the part of UNHCR regarding the cumulative expenditure incurred by the Government of Hong Kong and that after consultations with a number of Governments, the note was included as an explanatory note and as a one-time action. The Board has taken note of this assertion while forming its opinion on the financial statements.

2/ A/48/530

Liquidity position

33. In paragraph 21 of resolution 47/211 of 23 December 1992, the General Assembly requested the Secretary-General and the executive heads of United Nations organizations to ensure that future presentations of liquidity positions are made in the context of the common accounting standards. The liquidity position as at 31 December 1993 for the voluntary funds administered by UNHCR is set out in Schedule 10.

34. The current assets of $817.5 million exceeded current liabilities of $478.7 million by $338.8 million. Forty-two per cent of the current assets was in short-term investments totalling $340.4 million which could be used to settle 72 per cent of the current liabilities.

35. Included in the total current assets are accounts receivable amounting to $449.9 million. Of these, $437.9 million or 98 percent represents unpaid pledges. These outstanding pledges increased by $104.1 million from $333.8 million as at 31 December 1992. In regard to current liabilities there was a significant increase in the outstanding obligations for projects, by $69.8 million from $401.99 million as at December 1992.

Budgetary control

Over-budgeting of annual programme

36. The appropriation as per schedule 3 represents the requirements as approved by the Executive Committee to implement UNHCR General Programmes. The difference between the appropriation and the final obligation is the unobligated appropriation and represents overestimates of requirements. The Board noted that there was an unobligated balance of $20.8 million under the annual programme as at 31 December 1993. This was the highest balance recorded in recent years; the corresponding figure as at 31 December 1992 was $3.5 million. The past trend in cancellation of unliquidated obligations and the present increase in the unobligated balance clearly indicate that there is considerable over budgeting. The following table illustrates this:

(In millions of US Dollars)

Year	Executive Committee Appropria-tions	Payments/ Deliveries	Unliquid-ated obligations	Total (3) + (4)	Unobli-gated Balance (2)-(5)	Prior years obligat-ions cancel-led
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1992	366.5	302.3	60.7	363.0	3.5	27.0
1993	388.2	309.3	58.1	367.4	20.8	29.5

37. The Administration stated that the unobligated balance may be due to a variety of factors such as, reduced case load, delays in implementation and changes in planned activities. However, the Board's review of project budgeting and financial control in the field offices revealed that the exercise needed refinement and strengthening. The Administration conceded that budgetary control should be strengthened and informed that it intended to review the procedures on obligation of funds and the project spending process. The Board recommends that, additionally, the project budgeting techniques and procedures should also be reviewed and refined so that the budget could become an effective tool for expenditure control. The review should also cover special programmes.

Liabilities

Amount payable to United Nations Development Programme

38. The amount due to UNDP as per Statement I was $65,000 as at 31 December 1993. The Board, however, noted from the current accounts statement (CAS) summary of UNDP that the balance receivable from UNHCR was $608,540. The Administration clarified that the recording of IOVs by UNDP in their CAS did not necessarily mean acceptance of these charges on the part of UNHCR as its liability and that these needed verification and acceptance. The Board noted that when UNDP CAS was received, all transactions reflected therein are recorded in UNHCR/UNDP Reconciliation Account. The Board, however, suggests that a suitable note may be made to the financial statements in future to explain the position.

Write-off of losses of cash, receivables and property

39. In accordance with UNHCR financial rule 10.6, the Board was informed that cash and receivables amounting to $63,361 were written off during the year 1993.

40. Losses of non-expendable property items valued at $3,316,630 were established in 1993 for write off action. These property items were lost through the following circumstances as reported to the Property Survey Board by various field offices:

	(United States dollars)
Civil disturbances	2,697,998
Armed robbery	147,061
Ordinary theft	394,450
Fire	200
Weak internal controls:	
Lost by staff members	12,738
Missing	64,183
Total	3,316,630

41. The Board noted that only $15,691 was recovered from the insurance company and that the possibility of submitting insurance claims for $69,264 was to be examined. Further, $3,242 is to be refunded by staff members and $20,000 was to be claimed from others.

Ex-gratia payments

42. One ex-gratia payment of $28,112 was made in 1993, on humanitarian grounds, due to serious illness of a staff member who had resigned. The amount represented the balance of the staff member's sick leave entitlements. The Board of Auditors was provided with details of this payment and the Board ascertained that this was in accordance with UNHCR financial rule 10.5.

Part II: Management issues

Cash management

Short-term investments

43. Deposits are stated to be spread over a number of banks in order to avoid an over-concentration of investments in a few institutions. There is scope for increasing the interest earnings. The Board was informed that the investment policies and procedures laid down in 1990 were under review to make the necessary adjustments to the increased volume of investments. The Board recommended and the Administration agreed that in order to maximize the interest earnings consistent with the safety of investments, maximum levels of investment with various banks be fixed depending on the banks' rating.

44. The Board further noticed that considerable cash balances were held in non-interest bearing current accounts in various banks around the world. The Board felt that it should be possible to earn some interest on such surplus balances either by negotiating a suitable arrangement with such banks or investing in short-term deposits elsewhere. The Administration had an arrangement with one bank to transfer all amounts in excess of a specified limit to an interest-bearing account with another bank at the beginning of every month. The Board suggested a similar arrangement in respect of the remaining non-interest bearing current accounts. The Administration agreed to establish limits for maximum cash balances in major current accounts and to study whether they could be kept unchanged for reasonable periods of time.

45. Strongly endorsing the Board's observations that UNHCR should ensure the best return on its money, the Administration stated that a number of activities would be undertaken by Treasury Section during the coming year. These would include a general review of investment policies and procedures, more effective monitoring of cash requirements and improved management of bank accounts. The timing of these activities would very much depend on the availability of additional and more professional resources within the

Treasury Section. The Board welcomes this initiative and urges that action may be taken accordingly, as soon as possible.

Programme management

Assessment of refugee population

46. In accordance with the UNHCR manual, the planning exercise for post-emergency and repatriation programmes should include a detailed "needs and resources assessment" based on, among other things, collection of reasonably accurate demographic data. The Board found in an interim review of 15 projects/sub-projects of 1992 and 1993 Kenya programmes that this assessment was not carried out for any of the projects. Attempts at demographic data collection were stated to have "met with violent resistance from refugees, or deliberate sabotage by inflated figures and inaccurate information". Even head-counts and registration of refugees in camps were also reported to have failed, until April/May 1993.

47. In a report for April 1993 one of the implementing partners, CARE International, had mentioned that a census effort in a refugee camp in Kenya failed due to refugee resistance and a great threat of violence (by the refugees and parties interested in keeping feeding figures high). It was further mentioned that although it was generally agreed by UNHCR that the actual population figure was closer to 50,000 if not less, the feeding population was 80,000. No action was taken on this report in the UNHCR headquarters. The Board felt and the Administration agreed that in view of the over estimation of refugee population which had serious financial consequences, some follow up action should have been initiated.

48. In another refugee camp in Kenya there was no reliable population figure mutually acceptable to the UNHCR and the Government of Kenya. The UNHCR branch office considered the planning figure of 5,000 to be an overestimate. A head-count in September 1993 gave the figure at 2,000 persons. Thus, nearly three-fifths of the direct expenditure for the refugees in this camp appeared unjustified.

49. The problem was not confined to Kenya alone. The Board noticed it in Ethiopia also. In respect of a major care and maintenance project of 1993 the refugee population was taken as 385,000 which was subsequently altered as 300,000. However, in the progress report for the period up to June 1993 submitted by the implementing partner, Administration for Refugee Affairs (ARA), a total of 632,975 refugees holding ration cards was reported. In spite of spontaneous repatriation of refugees back to Somalia in earlier years, there was no reduction in the card holding population, pointing to the possibility of benefits being shared by others. The actual refugee population was estimated to be in the region of 200,000. According to the UNHCR Regional office there were several factors which discouraged proper registration of the refugees, including threatened violence. However, ARA maintained that "re-registration can be and should be done". The Board urged that steps should be taken on a priority basis for the correct assessment of the refugee population so that the programme could benefit only the target group and that there may be no wastage or leakage of resources. The Administration informed that UNHCR was discussing with the

Government steps to revalidate ration cards, which were expected to better ensure the delivery of benefits to genuine refugees.

50. The Board is of the view that maintenance of reliable data on refugees is the primary responsibility of the UNHCR and a way has to be found to discharge that responsibility effectively. Also, without reliable data UNHCR cannot provide the required assurance that funds entrusted to it are being effectively utilized. Accordingly, the Board suggested that UNHCR should, with the help of the host Government, create conditions conducive to organizing demographic data collection in refugee camps, without which no activity can be reliably planned and funded.

51. As the problem seemed to be widespread, the Board suggested that suitable instructions should be issued to all the field offices to ensure a reasonably correct assessment of the refugee population. In response, the Administration informed that draft registration guidelines and a registration kit have been developed and tested in various places and that the package was expected to be finalized in the first half of 1994. Further, a streamlined field-based registration system to provide needed computer support to the refugee registration exercise was being developed and would be deployed as a part of the emergency preparedness and response registration kit. The Board recommends that in addition to providing guidelines and better tools for refugee registration, conditions conducive to organizing the census have to be created in concert with the host governments and main implementing partners.

Delay in signing of agreements

52. The project agreements signed between UNHCR and implementing partners constitute the legal instrument for commencing implementation of projects. The Board found that delays in the signing of agreements was an endemic feature. In a large number of cases funds had been released and the implementation taken up even though the related agreements had not been signed. Admittedly, there was the risk of loss of control when implementation proceeded without a firmly agreed project description and budget.

53. The delays were attributed in some cases to the late receipt of Letters of Instructions (LOI) from UNHCR headquarters. In Ethiopia, since almost all the sub-agreements were tripartite, the time taken by the main implementing partner, ARA, further delayed the signing of the agreements. However, ARA felt that the delays were mainly due to difference in perception regarding project formulation.

54. The Board recommended that the difference in perceptions between UNHCR and implementing partners should be resolved early by advancing the project formulation exercise and the delays in signing project agreements minimized. In response, the Administration informed that the programme cycle has been modified and that one of the major improvements is the earlier issuance of implementing instruments, which in turn will allow for an earlier signature of project agreements. In addition, activities were stated to be underway to improve the relationship between UNHCR and its implementing partners.

55. In Hong Kong, since 1988 no agreement has been signed with the major implementing partner, the Hong Kong Government. Only a Letter of Intent was being exchanged every year, without any project details and firm budget. As indicated by the Board earlier in paragraph 32 of this report, there is no clear understanding of the UNHCR's commitment to meet the costs incurred by the Hong Kong Government. The continuation of this uncertainty is not desirable.

Project support costs

56. The Board's review of care and maintenance project budgets in the UNHCR regional office at Buenos Aires revealed variations in the agency operational support costs for projects implemented in various countries of the region. These were 14.4 per cent in Uruguay, 21.0 per cent in Bolivia and 19.4 per cent in Peru. Although in principle, the implementing partners are expected to cover their over head costs, there was no indication of any such contribution in the project budgets.

57. In Hong Kong, the per capita staff costs of seven implementing partners of care and maintenance project varied from HK$85,932 to HK$164,853 during 1993. Such wide variation for similar sub-projects cannot be justified.

58. In an interim review at UNHCR headquarters, the Board has raised the question of establishing some norms to regulate the over head costs of implementing partners. The Administration informed that UNHCR and NGOs have begun a series of regional meetings called PARINAC (Partnership in Action), to address a number of issues and that the issue of overheads was being dealt with as part of this process. The Administration hoped that reasonable norms could be established as a result.

59. The Board believes that there is a lot of scope for economy both in overheads of UNHCR field offices and their implementing partners as well as in project personnel expenditures. For instance, for all the country programmes implemented by the UNHCR Buenos Aires regional office, the programme support and administration, the project personnel and the agency operational support costs were extraordinarily high compared to the total project costs. The Board considered this to be unjustified. The programme support and administration cost in Hong Kong was also high as mentioned in paragraph 73 of this report. The Board recommended that UNHCR should take steps to contain both direct and indirect staff and administrative costs within a reasonable limit.

60. The Board was informed that "UNHCR has recently completed a categorization of posts exercise in an effort to more appropriately distinguish between administrative support activities and those activities directly related to the delivery of the programme, including protection. In addition, the annual regional operations review now considers staffing as an integral component of the review of programmes, programme delivery and administrative support requirements". The Board hopes that these would help to address the issues raised in paragraphs 58 and 59.

Financial and physical monitoring

61. The Board noticed several deficiencies in the financial control of projects implemented through various agencies. These were irregularities in handling cash, inadequacies in the maintenance of cash books and project accounts, combination of incompatible functions such as payments and accounting by the cashier, expenditures in excess of allotments, misclassification of expenditure, diversion of funds, payments not covered by project agreements, unauthorized write-off of non-expendable property, lack of familiarity with the implementing partners' recording system, non-submission or inordinate delays in submission of project monitoring reports. etc.

62. Notably in Ethiopia, in view of delays in the closure of project accounts (projects relating to 1989 were being closed) and the deficiencies in the maintenance of the accounts by the main implementing partner, the Board recommended and the Administration agreed that the accounts of the implementing partners should be inspected by the Regional Office Finance Officer, in detail at regular intervals to correct the deficiencies in time.

63. In Hong Kong, the Board noted that generally project objectives were not stated clearly. Further, details of the physical progress to be achieved from time to time were not indicated. In the absence of these, no effective physical monitoring is possible. In any case, monthly reporting in a prescribed format by the UNHCR field staff, on the progress of implementation of projects was discontinued in 1992.

64. In Kenya too, there appeared to be no meaningful physical monitoring of projects, although programme officers visited implementing partners' offices and project sites. The Board recommended that the frequency of the visits should be increased and the outcome of the visits systematically documented. The Administration agreed but stated that "situations may exist that make it very difficult to strictly follow this recommendation."

65. In Ethiopia, on a review of two major care and maintenance projects, the Board noticed considerable shortfall in achievement of planned levels of assistance. The Board recommended and the Administration agreed that realistic targets be fixed jointly by UNHCR and implementing partners.

66. Reacting to the outcome of the interim review of the Board at the UNHCR headquarters, the Administration had inter alia stated as follows:

> "the Controller's Division is currently focusing on the development of a number of proposals designed to strengthen and professionalise the relationship between UNHCR and its implementing partners. These will include streamlining and improved clarity in the sub-agreement and, improved financial monitoring and reporting. An initial proposal related to this will be available by mid-1994."

67. The Board welcomes the initiative taken by the Administration to address the problems. The Board would, in particular, stress the need to impart necessary training to the implementing agencies and to undertake effective financial and physical monitoring visits by UNHCR field offices.

To enable meaningful physical monitoring of projects, realistic targets should be fixed jointly by UNHCR and implementing partners.

Evaluation

68. The Board noticed, in its review in the UNHCR field offices, that there was no systematic self-evaluation of completed projects in order to obtain feedback from project implementation which would facilitate learning lessons for the future in an endeavour to improve project planning and implementation. When a recommendation was made in relation to Kenya, the Administration agreed to have the evaluation conducted on a regular basis.

UNHCR manuals and guides

69. The social workers in the South Latin American region are unable to use the UNHCR Social Services handbook in the absence of its Spanish version. As a result the procedures and guidelines contained therein are not being followed. The Board recommends that the appropriate language versions of important manuals and guides should be available in the various regions where UNHCR operates.

Unusual arrangement with an implementing partner

70. An agency for volunteer services has been chosen as an implementing partner by UNHCR field office in Hong Kong for providing staff and equipment support. The field office advertises staff requirements, processes applications and holds selection interviews. The agency is only informed about the persons selected and the remuneration payable in order to enter into contracts with those persons. Such staff members are seconded to the field office and work under its supervision. Even for temporary assistance, the agency is only informed about the names of the persons appointed and the amounts to be paid to each. Further, procurement of furniture, photocopier, office supplies etc. is also done by the field office and the bills are passed on to the agency for making necessary payments.

71. All the functions are thus in effect being carried out by the field office and the agency merely functions as a clearing house for which a separate payment is made annually. In 1993 this amount was HK$290,400 (US$37,568). The Board was informed that the arrangement was adopted as recruiting staff under UNHCR would entail complicated post creation formalities, higher salaries and perquisites. There was however, no evidence of any comparative analysis of costs having been made. Since the normal procedures of staffing control are not followed, the Board doubts whether this arrangement is indeed cost saving.

72. The Board also noted that consultants engaged by the field office are continued for prolonged periods up to three years under the agency contracts thereby circumventing the limit of tenure laid down. In the case of one staff member under the agency contract, there was over payment of one month's salary (September 1993) owing to failure of the field office to intimate the resignation of the staff member to the agency. Under this

arrangement there also appears to be no control over the non-expendable property acquired, as no inventory record is maintained.

73. There is excess staffing in the field office. Consistent with a commitment to gradually reduce staffing, the field office suggested in August 1992 the transfer of the post of an administrative officer to another duty station. There was no response to this from UNHCR headquarters nor was it followed up by the field office.

74. In view of the foregoing, the Board recommended that the staff and administrative expenditure of the field office (including the expenditure incurred through the agency) should be critically reviewed and economy effected. The propriety of the peculiar arrangement with the agency in the context of the need for control over staffing and acquisition of non-expendable items, should be examined and a more effective and transparent alternative adopted.

75. The Administration informed the Board that this "is a modality that has been used very successfully by UNHCR in a number of other locations e.g. Thailand, Philippines. UNHCR would not necessarily wish to eliminate this type of modality but rather ensure that contractual arrangements are established in a professional and consistent fashion that ensures effective management control of UNHCR resources."

Procurement

Annual Purchase Plan

76. The Board's review of procurement planning for the year 1993 revealed that Annual Purchasing Plans (APP) for at least 20 countries had not been received as at 15 November 1993 i.e. a year after the due date. A subsequent review in March 1994 revealed that for the year 1994 plans for only seven countries were received. This response was admittedly inadequate to have the APPs as a tool to rationalize long term purchases. Apart from providing the Headquarters with information on the types and quantities of goods for which purchase requests are likely to be received, the expected delivery dates indicated in the plans would facilitate timely initiation of the process keeping in mind the lead time. The Board therefore felt that there was a need to strengthen the mechanism for ensuring timely preparation and submission of the purchasing plan.

77. In their response the Administration stated that considering the preponderance of purchases for emergency and special programmes and the irregular inflow of pledges, the utility of an Annual Purchasing Plan was limited. The Board, however, felt that there had to be a planned response even to a refugee emergency and that in view of the irregular flow of funds, at least the price could be settled in advance for a year for frequently used items as far as possible, so that purchases could be made at the agreed price throughout the year. The Administration agreed that the issue needed to be looked into. The Administration further indicated that internal consultations would be held to determine how the potential of APP could be best realized.

78. Apart from helping the process of purchases at headquarters, the APPs would help organizing better, the purchases made by the respective field offices. The Board found that in the absence of an APP, UNHCR Branch office in Kenya was issuing purchase authorizations piece-meal, which was not cost effective. The Administration informed the Board that UNHCR was looking into this in an effort to improve the system.

Delays in delivery of goods

79. The Board reviewed the international purchases relating to Ethiopia from where an annual purchasing plan for 1993 had been received. In respect of 99 purchase orders issued during the period 1 January to 30 September 1993, delays in delivery were noticed in 75 cases, with reference to the desired dates of arrival at the respective ports of discharge. In respect of a few specific cases of inordinate delay the Board was informed that the desired dates of arrivals were indicated on the basis of information received from the field, e.g., the Purchasing Plan and that while every effort was made to meet the desired dates, this was frequently not possible depending on other purchases in the pipeline and therefore, estimated dates of shipment were provided. Thus, the impression given was that there was not much of a delay in case the "estimated date of shipment" was taken as the starting point. The Board, however, felt that in order to ensure smooth implementation of projects, it was necessary to adhere to the desired dates of delivery as indicated by the field offices concerned, while processing procurements.

80. Although "the time frame for the proposed order from issue of the contract to final delivery at destination" was required to be stated in the Quotation Request, the Board found that this was not being done. Instead, prospective suppliers were requested to state the earliest date on which delivery could be made. The Board felt that the scheduled delivery date was one of the important specifications that the purchaser should indicate. In fact, the time-frame for delivery was systematically included in the Quotation Request up to 1988. It was deleted, however, on the recommendation of the purchasing staff, as in their experience it was felt that suppliers tended to repeat the stated delivery date on their offer, without regard to the actual situation, in the hope of getting the order. The Administration stated since the supplier had been requested to state his delivery date it was felt that the information was more reliable.

81. The Board is of the view that the purchases ought to be made in all respects, quality, quantity and time, according to the need. In case there is a delay in delivery with reference to the desired date, a suitable penalty could be levied. Such a penalty clause could be specifically incorporated in the Purchase Order. A late delivery penalty is already included in purchases for former Yugoslavia and other programmes where donors have imposed a tight schedule for use of their funds. The Administration promised to consider the pros and cons of a wider application of the penalty clause in future discussions.

Standardization of equipment

82. The annual exercise that took place until 1990 to standardize on equipment and suppliers had reportedly "created some major setbacks, deliveries were becoming slack and in several instances the relationship between these suppliers and UNHCR was severely hampered by the fact that they took their business for granted". Accordingly, this was discontinued. However, in view of the pressing need again, an attempt was made in 1992 to standardize various radio equipment and suppliers on the basis of a tender floated. The Committee on Contracts recommended the standardization of equipment and suppliers for a period of two years and requested a review on the performance and prices of the suppliers once in six months continuously. The Board found no evidence of any such review. The Administration stated that "steps are underway to establish a formal review mechanism that will respond to the different exigencies. In the meantime the search for the new suppliers is on-going". The Board noted that purchases of radio equipment more than doubled from 1991 level of about $3.4 million to approximately $6.9 million in 1992.

83. The Board felt that unless an equipment standardized was available only from a single source, it would be necessary to standardize the price also. According to the Administration there were the practical considerations of getting a supplier to agree to a firm price for such an extended period (two years). However, earlier experience in 1991 had shown that equipment could be directly procured from the manufacturer at half the price of his agent who was UNHCR's previous supplier. In view of this, the Board recommended that whenever equipment which was available from more than one source, was standardized for purchase from one source there should also be standardization of its price at least in the short run (one year) in order to promote cost effectiveness. In response, the Administration stated that the recommendation would be taken into account at the time of the review of the standardization policy for radio communication equipment. However, prices for cooking sets, blankets and vehicles had been negotiated for one year.

Procurement by implementing partners

84. In Kenya, the Board noticed that the value of procurement handled by the UNHCR field office is only a small percentage of the annual budget. The majority of the procurement is made by the implementing partners as part of the project expenditure directly incurred by them. As per the project agreements, the implementing partners must also follow the procedure prescribed for UNHCR procurement including, inter alia, competitive bidding. The Board did not, however, find any evidence of a system of ensuring compliance with this requirement. The Board recommended that a suitable system be devised to ensure that the implementing partners follow the UNHCR procedures for procurement, thereby enhancing the cost effectiveness of projects. The Administration indicated that it was reviewing the monitoring role as part of an overall project towards professionalizing the relations with implementing partners.

Possibility of decentralization of procurement

85. In Ethiopia, the Board noted that international purchases through UNHCR headquarters included soap, kitchen utensils, sewing machines, jerry cans and blankets. Although it was stated that international purchases were requested after an assessment, inter alia, of the quality, price and delivery of locally available supplies, there was no evidence of such a detailed assessment. It was only after the audit such an attempt was proposed to be made.

86. The Board felt that items which could be procured with advantage locally should be systematically identified in consultation with the main implementing partners. Further, wherever possible, regional procurement should be resorted to, and the arrangements for such procurement should be strengthened. The Administration informed the Board as follows:

> "It is already the policy of UNHCR to make local and regional purchases when appropriate and competitive. A number of measures have been taken to ensure that the implementation of this policy respects international price competitiveness and United Nations Financial Regulations and Rules. Regional purchasing offices with a professional purchasing staff have been established in areas of high demand, i.e. former Yugoslavia, Kenya, South Africa. A senior purchasing officer is responsible for assessing local/regional procurement possibilities, particularly during emergencies. Supplies and Transportation Section (STS) is also assisting the Emergency Preparedness Response Section (EPRS) to train staff in identifying local suppliers and effecting purchases. UNHCR is studying the possible decentralization to the field of a number of functions, including procurement".

87. In Kenya, although the Nairobi office has been designated as the regional procurement office, the Board found that there was hardly any procurement on behalf of other UNHCR offices in the region, partly because of lack of adequate staff support. The other offices were not forwarding their purchasing plans to the Nairobi office.

88. In view of the vast increase in the activities of UNHCR and the spread of the Organization, the Board believes that a measure of decentralization of responsibility with adequate accountability arrangement is necessary for a more effective functioning. Accordingly, the Board recommends that the procurement policies and procedures should be reviewed and steps taken for progressive decentralization of the procurement function.

Insurance

Insurance arrangements

89. The UNHCR Committee on Contracts in its 417th meeting held on 19 February 1988 agreed to remain with the present insurance company through brokers, subject to:

a) a detailed study and subsequent clearance by the Legal Adviser regarding the wording of the clauses and implied coverage; and

b) the conditions being reviewed next year and changes reported to the Committee for the second and subsequent years.

90. The Legal Adviser's report was not available for the Board's scrutiny as the documents were destroyed after the usual period of five years. The Board felt that such important records should be preserved for a longer time.

91. A memorandum dated 7 September 1992 from the Legal Consultant addressed to the Chairman, UNHCR Committee on Contracts indicated that the limited coverage offered by the underwriters in respect of war and strikes, riots and civil commotion clauses might not justify the cost. It was suggested that a review might be useful to establish the future insurance needs of UNHCR. While acknowledging the merits of the suggestion, the Administration stated that they "are currently embarking upon a review of UNHCR's insurance arrangements".

Profit commission

92. The Board noticed that a profit commission clause was incorporated in the contract with the Underwriters effective from 1 January 1989. According to this clause UNHCR was entitled to a profit commission amounting to 50 per cent of the difference between 50 per cent gross marine premium and net claims subject to certain conditions. One of the conditions is that the commission is payable for a year, only if the contract is renewed for a further period of 12 months.

93. The profit sharing commission for 1989 was stated to have been off-set against 1991 premiums rather than refunded to UNHCR directly. For the period 1990 to 1992, the profit commission totalling $63,776 was received in July 1993. The correctness of the calculation of this amount could not be verified. The Board was informed that the commission was based on the broker's account with the underwriters and not on the broker's account with the client. As UNHCR did not have immediate access to the twelve underwriters' books, the Administration also expressed their inability to confirm the correctness. The Board considered this to be an unsatisfactory arrangement. Accordingly, the Board recommended a review of the arrangements so as to make it transparent. The review should also cover the conditions governing the commission.

Possibility of over-Insurance

94. UNHCR Insurance Policy for transportation of cargo is an open cover policy and insurance declarations can be made at any time during the term of the policy. It is not necessary for coverage to be in place before a shipment begins its voyage.

95. The value of UNHCR's purchases increased steeply from $43 million in 1990 to $190 million in 1991 and is expected to remain between $150 and $200 million for the foreseeable future. A significant change is that most

of the additional purchases have been transported by road within Europe, the Far and Middle East. Road transport in these areas is stated to be relatively a low risk activity and UNHCR has negotiated a lower premium.

96. A comparison of the rate of refunds against premiums paid revealed that overall, the return has been approximately 35 per cent. This, admittedly, suggested that in spite of the reduction in premium, UNHCR may still be over-insured. The Board was informed that this was one of the many aspects that would be considered while reviewing UNHCR insurance arrangements.

97. The Board suggested that the system of filing declarations for insurance be critically reviewed to assess the possibility of restricting it to the consignments destined for high risk areas, thereby reducing the amount of premium paid. In response, the Administration stated that the issue needed to be studied carefully as it would have a fundamental impact on current procedures and that in due course, a recommendation would be made.

98. The Administration indicated that UNHCR's agreement with its insurance brokers would be reviewed in 1994 and that the suggestions made by the Board would be taken into account.

Personnel management, payroll and staff costs

Irregular engagement of personnel

99. The Board noticed that 14 staff members recruited for a project were working at the Regional Office, Addis Ababa. Earlier in this report, the Board has dealt with the staffing of the field office in Hong Kong, through a project agreement signed with an implementing partner. Additionally, there is a widely prevalent practice of engaging consultants for regular work of UNHCR. All these circumvent the regulations regarding creation of posts and recruitment of personnel.

100. As regards consultants engaged for regular work the Administration informed the Board as follows:

> "This problem has now been addressed in broader and comprehensive terms under the concept of the Emergency Preparedness and Response. Under these proposed solutions, emergency teams would be deployed immediately to respond to early critical needs pending the creation of regular staff for longer periods. Once this system is fully operational, the need to resort to consultants for tasks other than technical expertise would be greatly curtailed."

101. The Board recommends that in future the engagement of personnel for regular work of UNHCR should be limited to the authorized level of posts and effective staffing control should be exercised.

Recruitment plan

102. A Local Recruitment Committee was formed in Nairobi for the first time in June 1993 and its terms of reference were finalized locally in October 1993. The Board recommended that the terms of reference should be based on uniform guidelines provided by the UNHCR headquarters in order to standardize the procedure for recruitment of local staff by field offices. The Administration informed that "considerable efforts are presently being made to establish a comprehensive recruitment plan which we believe will respond to the recommendations made".

Training

103. The Training Section under the Division of Human Resources Management, is responsible for promoting and coordinating training activities at Headquarters and in the field, designed to improve staff performance and the efficiency of implementing partners. In 1993, based on the training plan requests from the field offices, 497 courses estimated to cost $2,917,600 were planned. However, only 303 training courses were conducted. The Board was informed that the rest of the courses were cancelled for a variety of reasons and mainly because of a 33 per cent budget cut. Considering the spread of the organization and the challenges faced by it and hence its training needs, this was inadequate. Not all the field offices had addressed their training needs and submitted training plans.

104. Although the Administration claimed to have conducted 303 training courses during the year as against 497 planned, the Board's review of the courses summary list indicated that 151 courses were conducted. The Administration clarified that the course evaluations (including the number of participants, date and location) not received after completion of the training courses were not recorded in the summary list. Obviously, monitoring of the training was not effective enough. Further, the Board was informed that the implementation of training activities was also hampered by non-availability of resource persons and lack of field training coordinators.

105. A review of the training activities in Kenya revealed that most of the training areas indicated in the first ever annual training plan could not be covered until October 1993. Until that time some success was achieved only in the areas of technical training for secretaries and field training for drivers, as well as some trainers' training and a computer course. There was no evidence of well-directed training activity. A review in Hong Kong revealed that there was no training plan.

106. The Administration is aware of the limitations of its monitoring mechanisms, existing system for budgeting and lack of systematic tools for maintaining up-to-date information on all aspects of training activities and its implementation. What is more important is the comprehensive and realistic assessment of training needs and development of training modules. The Board accordingly recommends that the Training Section should be qualitatively strengthened, to effectively plan and deliver the training programme consistent with the changing needs.

Account receivable from a staff member

107. A staff member who was working in Hong Kong did not return an advance of $8,279 for one year after it was due to be returned. The amount was advanced to facilitate payment of a deposit for leasing a house and was to earn interest at the rate of 5 per cent per annum. The staff member did not return the amount before leaving Hong Kong on reassignment. The amount could be recovered only after it was pointed out by the Board in March 1994. The interest earned on the deposit had not been refunded. Further, there appeared to have been some overpayment of rental subsidy. The Board would like this case to be investigated by UNHCR for appropriate action.

Computer operations and EDP systems

Financial management information system

108. The software being used as the Financial Management Information System (FMIS) in the field offices is a proprietary package developed for the UNHCR. This consists of two modules, Field Office Accounting System and Field Office Budget System. The FMIS does not provide for recording of the obligated amounts under the Letters of Instructions (LOIs) and their amendments. Further, there is no provision in the system for entering the purchase orders and therefore it does not take into account the commitments until the payments are made. Therefore, it is not useful to those who are responsible for authorizing procurement of goods and services.

109. The FMIS does not have a LAN version and this has necessitated the procurement of a very large number of stand alone PCs thereby wasting computer processing power.

110. The Board recommended that the feasibility of modifying the FMIS to enable recording of obligations as and when incurred and of installing a LAN version of the system, should be considered by the UNHCR headquarters. The Administration informed the Board that the whole FMIS was being investigated with a view to ensuring that the system met the changing needs in the field and that a LAN version was being developed for delivery by the end of 1994.

Cases of fraud and presumptive fraud

111. The Board was informed that during the year two cases of fraud had occurred, one in Sikhiu camp in Thailand and another in Tanjung Pinang in Indonesia involving $2,709 and $17,690 respectively. In Sikhiu camp, the fraud was committed by a petty cash custodian and his contract was terminated and $1,053 recovered. In Tanjung Pinang, the fraud was committed by a Finance Assistant who misappropriated unutilized cash funds. No recovery was made from him and he was suspended. The Board was informed that the internal controls have been strengthened to prevent similar cases in future.

Acknowledgement

112. The Board of Auditors wishes to express its appreciation for the cooperation and assistance extended to the auditors by the High Commissioner, her officers and their staff.

Sir John BOURN
Comptroller and Auditor General
of the United Kingdom of Great Britain
and Northern Ireland

Osei Tutu PREMPEH
Auditor-General of Ghana

Codanda Ganapathy SOMIAH
Comptroller and Auditor General
of India

30 June 1994

ANNEX

Follow-up on actions taken to implement the recommendations of the Board of Auditors in its report for the period ended 31 December 1992 1/

I. RECOMMENDATION 9 (a)

1. (i) The Administration should review its procedures to prove the effectiveness of its internal controls on cash resources;

(ii) The UNHCR Section of the Internal Audit Division should have as one of its audit priorities next year the strengthening of internal controls on cash resources in field offices.

A. Measures taken by the Administration

2. (i) The ceilings of field offices' Zero Dollar Imprest Accounts have been reviewed and adjusted where appropriate. As regards creation of separate bank accounts for UNHCR projects, implementing partners' attention is drawn to the requirement continuously. The petty cash limits are established primarily on the basis of needs, but the time required for transfer of funds must be taken into account. The internal controls at headquarters have been strengthened by increasing staff strength for cash management. In the field offices, the process of implementation of the recommendation is being continued.

(ii) Efforts are being made to establish appropriate audit strategies and to strengthen the capacity of the Internal Audit Section dedicated to UNHCR.

B. Comments of the Board

3. Implementation of the recommendation in the field offices is to be pursued vigorously. The Board understands that the Internal Audit Section has started looking into the internal controls on cash resources in field offices, on a priority basis.

II. RECOMMENDATION 9 (b)

4. The Branch Office in Costa Rica should immediately review its internal control system on cash resources, including a full examination of payments made without appropriate supporting documents and of cheques honoured and paid by banks without the required signatures.

1/ Official Records of the General Assembly, Forty-eighth session, Supplement No. 5E (A/48/5 Add.5), Sect I, para. 9.

A. Measures taken by the Administration

5. The internal control system on cash resources has been reviewed and action taken to strengthen internal controls. The review did not reveal any misappropriation or loss of funds due to the issue of cheques without the supporting documents and without the required joint signatures.

B. Comments of the Board

6. The Board had no occasion to review the position again in the field office in Costa Rica. However, the steps taken by the Administration seemed adequate.

III. RECOMMENDATION 9 (c)

7. The formulation of tripartite agreements where appropriate and related sub-agreements should continue vigorously to be pursued by UNHCR. Meanwhile, amendments should be made to existing agreements with implementing partners and executing agencies to include provisions on fund accountability and adequate audit coverage.

A. Measures taken by the Administration

8. The implementation of the recommendation is ongoing and negotiations with the host Government and the implementing partners is being continued. All UNHCR sub-agreements contain provisions for audits by not only United Nations internal and external auditors but also by the audit institutions of the host country.

B. Comments of the Board

9. Admittedly the audit provisions are not being followed in all instances. For instance, the Board had pointed out that as the bulk of the expenditure for the UNHCR Kenya Programme was incurred by the implementing partners who did not submit auditor's reports as required, it could not be said that the Branch office had satisfied itself that the expenditure had been incurred properly. It is therefore necessary to take steps to enforce these provisions.

IV. RECOMMENDATION 9 (d)

10. The administrative lapses and lack of coordination that have caused delays in the implementation of projects should be assessed and remedial actions undertaken.

A. Measures taken by the Administration

11. Considerable improvement has been made in 1993 by the introduction of "status reports" on the processing of LOIs in different UNHCR units. Another initiative taken in relation to 1994 LOIs is the introduction of an "advance LOI".

B. Comments of the Board

12. The Board noticed delays in the issue of LOIs during its audit for the year 1993 also. The Administration informed the Board that the programme cycle has been modified and one of the major improvements is the earlier issuance of implementing instruments.

V. RECOMMENDATION 9 (e)

13. UNHCR should review its system of allocating funds to projects to ensure a more efficient and effective distribution of resources. The Administration should continue with its review and cancellation of long outstanding unliquidated obligations, including those raised against contributions in kind amounting to $33.8 million at 31 December 1992.

A. Measures taken by the Administration

14. Prior year's projects are being reviewed regularly to cancel outstanding balances that are no longer required. The recommendation is being implemented as an ongoing structured exercise during the course of the year.

B. Comments of the Board

15. The Board is satisfied with the action taken to implement the recommendation.

VI. RECOMMENDATION 9 (f)

16. UNHCR field offices should institute measures that would lead to more economic and efficient utilization of resources by the implementing partners and executing organizations through proper monitoring and more frequent visits to refugee camps and other areas of operations.

A. Measures taken by the Administration

17. UNHCR has undertaken an in depth review of the processes of selection and management of implementing partners, as well as the financial systems and procedures, with a view to streamlining and strengthening financial

B. Comments of the Board

18. The Board will review the implementation of the recommendation and the impact thereof in its future audits.

VII. RECOMMENDATION 9 (g)

19. UNHCR should continue to develop its plan and strategy for the computerization of its financial and personnel management systems in a more comprehensive and integrated form. Close coordination with the United Nations Integrated Management Information Systems Committee would be useful in order to benefit from its experiences and to adopt systems already developed that could be made applicable to the UNHCR environment.

A. Measures taken by the Administration

20. UNHCR has been in close contact with the IMIS New York team through the past year and is testing the personnel system on a pilot basis. With regard to the financial system, a study is being undertaken to assess whether IMIS will meet the future information system needs of UNHCR. This study is scheduled for completion in 1994.

B. Comments of the Board

21. Necessary action has been initiated.

VIII. RECOMMENDATION 9 (h)

22. (i) The recently established task force should continue to analyze and process the reports for the completed projects;

(ii) Quarterly reports on the status of report submission should be generated for general circulation;

(iii) Reporting requirements as set out in the agreements and sub-agreements should be enforced.

A. Measures taken by the Administration

23. The task force set up to clear the backlog of project monitoring reports is near completing its task. The existing procedures for project closure is also under review which is targeted for completion by mid-1994. The status of report submission and projects outstanding for closure has been computerized and is available on-line to all users. The review referred to in the action taken on recommendation 9 (f) as well as the [illegible] reporting requirements as set out

B. Comments of the Board

24. The Board found that there was still a large number of completed projects awaiting closure as at 31 December 1993, causing concern. All the three members of the task force having left, the exercise could not continue. The Administration was thinking of a larger task force to tackle the problem. The Board will again review the progress.

IX. RECOMMENDATION 9 (i)

25. The circumstances prevailing in the hiring of consultants and temporary assistance should be reviewed to determine whether exceptions from existing or new administrative instructions dealing with UNHCR may be issued.

A. Measures taken by the Administration

26. UNHCR started a review in 1993, which is likely to be completed by mid-1994.

B. Comments of the Board

27. Action has been initiated in accordance with the recommendation.

X. RECOMMENDATION 9 (j)

28. Field offices should be instructed to comply with reporting requirements for goods received through international shipments.

A. Measures taken by the Administration

29. The purchasing system is being modified to generate reminders for receiving reports. Instructions have also been issued to the field offices for timely return of receiving reports.

B. Comments of the Board

30. Although there has been some improvement in the submission of receiving reports, the position still remains unsatisfactory. Compliance with the instructions by the field offices has to be ensured by effective follow-up.

XII. RECOMMENDATION 9 (k)

31. Procurement request documents should be completed fully to ensure prompt delivery of goods in accordance with specifications and to meet the needs of refugees.

A. Measures taken by the Administration

32. Written instructions addressing the full range of concerns related to procurement authorization were under preparation. Implementation was expected to be completed by the end of 1993.

B. Comments of the Board

33. Improvements were noticed in the preparation of procurement request documents.

XII. RECOMMENDATION 9 (l)

34. UNHCR should institute measures to strengthen the capacities of field offices to be able to comply with procurement regulations.

A. Measures taken by the Administration

35. UNHCR has started activities designed to strengthen the procurement processes, including the implementation of a computerized system for the management of procurement in regional offices. The implementation is under way and will be completed in 1994.

B. Comments of the Board

36. The action is not yet complete. The Board will examine the progress of the implementation of this recommendation in its future audit.

XIII. RECOMMENDATION 9 (m)

37. The Administration should continue with its efforts to locate other competent suppliers for a commonly needed item in all refugee operations.

A. Measures taken by the Administration

38. The work initiated in 1992 to find alternative suppliers has continued in 1993 with good results.

B. Comments of the Board

39. The efforts to locate alternative suppliers should be on a continuous basis.

XIV. RECOMMENDATION 9 (n)

40. The Board reiterates that the reports on contributions in kind should be submitted on a timely basis. In future, accounting for contributions in kind should be done in conformity with the common accounting standards being developed currently for the United Nations system.

A. Measures taken by the Administration

41. A special effort has been made by UNHCR to improve the submission of reports and the number of outstanding pledges has considerably decreased. The implementation is an ongoing process and will continue in 1994.

B. Comments of the Board

42. There is still scope for improvement.

XV. RECOMMENDATION 9 (o)

43. The maintenance of property records and applications of established procedures and of relevant forms for the control and disposal of non-expendable property should be enforced to establish proper accountability.

A. Measures taken by the Administration

44. A task force is presently revising the guidelines for managing non-expendable property with a view to implementing them in all field offices by the first half of 1994.

B. Comments of the Board

45. The action is not yet complete.

XVI. RECOMMENDATION 9 (p)

46. Negotiations should be pursued on behalf of UNHCR with the host Government on the status of local staff in Viet Nam.

A. Measures taken by the Administration

47. Negotiations by UNDP on behalf of all the United Nations agencies to resolve the issue, are under way and the results can be expected soon.

B. Comments of the Board

48. Action has been initiated in accordance with the recommendation.